

## Support for council controlled organisations

Media Statement  
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The quality of debate on whether Auckland councils' trading activities should be put into council controlled organisations has been disappointing, says Stephen Selwood, chief executive of the New Zealand Council for Infrastructure Development.

"People want to see transparency and accountability in business and politics. But as monopoly owners, councils face inherent tensions in being at the same time suppliers, the customers' representatives, price setters and regulators of some of these services. This is particularly so in the case of water."

"Putting these businesses into arms length standalone entities, with professional governance removed from political control helps overcome this tension."

"Funding water businesses via metering and volumetric charging, as is occurring in Auckland, also gives far more financial transparency to customers than current arrangements in non metered jurisdictions in other parts of the country," he said.

"At present non metered domestic customers have very little idea of whether they are getting value for money when buying these services, because the price they pay is bundled up in their quarterly rates bill. They don't know whether they are subsidising or being subsidised for their use."

"There are also serious disadvantages when councils do not seek a return on their investment in assets. It means there is no financial discipline on investment decisions, something that is overcome with stand alone trading entities."

Mr Selwood said there are real advantages in amalgamating Auckland's seven water retailers into the existing wholesaler, Watercare Services.

"Along with the advantages mentioned above, a larger business unit grouped as one council controlled organisation is more likely to achieve economies of scale and scope than seven existing local statutory, governance, management and operational regimes."

"It will also be easier to align Watercare's planning for future service delivery with one council's plans for growth, than it has been for seven separate water organisations in the past.

"The problems confronting water services in New Zealand have been faced in other countries. Larger organisational groupings removed from political interference have been part of the solution. In 1968 Scotland had over 200

publicly owned water businesses. Today it has just one, but local government arrangements remain in place,” he said.

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